



INTER - CITY MEMORANDUM

To: Havre de Grace City Council and Citizens
From: Mayor William T. Martin
Date: April 18, 2016
RE: Fiscal 2016 Third Quarter Financial Results

I am pleased to present the financial performance of our City for the third quarter of fiscal 2016.

I continued to invest in Havre de Grace over the winter, most notably in the downtown shopping area and along the waterfront. Looking forward, I am seeking citizen support for the City borrowing \$4.5 million for 2 very important initiatives. The Council and I are putting together a ballot referendum seeking your approval to borrow the funding through State redevelopment programs and make these important investments.

Rather than continue to rely heavily on State and Federal grants and private fundraising efforts, I am proposing borrowing \$2.1 million to complete the renovations to the Opera House. Most importantly, borrowing and completing the renovations without delay will allow us to open this important entertainment and meeting center without undue delay. This course will also avoid having costs escalate over time as we pause renovations for lack of funds. You should know that this Administration will continue to seek Federal, State and County grants to fund the rehabilitation costs. The Opera House will be one of the cornerstones to our future downtown economic development.

I am also seeking your support to borrow \$2.4 million to make much needed and long overdue investment in our water treatment plant. The City has made only nominal investments in our plant while we spent several years seeking State grant funds. As you will see later in this report, we are being forced to make needed repairs and can no longer wait for the State to act. Additionally, I am pursuing a strategy to finally bring the Water & Sewer Fund out of its deficit through aggressive marketing of our water. The borrowed funds will allow us to pursue this strategy without delay and bring, finally, fiscal stability to the Water & Sewer Fund. It is my intention to use that stability to reduce future water & sewer rates, thereby adding another reason to make Havre de Grace the community of choice in Harford County.

The City Council and I are seeking your support for these initiatives and we ask that you come out and vote in May to let your voice be heard.

Now for the overview of fiscal performance through March, 2016.

General Fund

The General Fund has increased in value by over \$1.45 million through March. The budget anticipated that the fund would increase by over \$1.8 million, which is \$350,000 more than the actual increase. As a comparison, the fund increased almost \$2.2 million over the same period last year.

Overall, revenues were \$400,000 less than anticipated but \$675,000 more than the same quarter for last year.

- Property and income taxes were \$10,000 more than anticipated and \$235,000 more than billed last year for the same period.
- Progress on the renovations to the Opera House continues and grant reimbursements are \$390,000 less than anticipated by the budget but \$410,000 more than received last year.

The City spent \$25,000 less than expected for the quarter and almost \$1.4 million more than it spent last year through the end of the quarter.

- Personnel costs were over \$55,000 below budget expectations and \$275,000 more than spent last year for the same period.
- Other operating costs were \$60,000 less than budget expectations and almost \$75,000 more than last year over the same period.
- Capital spending was \$90,000 over budget expectations and \$1.04 million over the same period last year as the Opera House renovations are moving forward, and the City invested monies in downtown up lighting and park improvements.

Water and Sewer Fund

The Water & Sewer Fund suffered a deficit of only \$140,000 through the end of the quarter. The fund was expected to earn an estimated profit of \$35,000 in the budget and suffered a deficit of almost \$400,000 profit was incurred by the fund for the same period last year.

Revenues were \$110,000 less than anticipated by the budget and \$575,000 more than those earned over the same period last year.

- Metered revenues were \$90,000 above expected levels and \$690,000 more than the same period for last year. Overall demand for Water & Sewer services decreased a cumulative 1.5% compared to last year. The decreased usage is attributable to a decline in commercial customers as industrial, multi-family and residential usage have all increased usage this

year. Increased metered revenues, despite the decline in demand, can be attributed to the debt service fee enacted this year.

- New development continues lag significantly behind budget estimates, resulting in connection fees being \$220,000 below budget expectations and \$165,000 less than the same period for last year. Additionally, the standard water capital cost recovery fees were reduced from \$8,000 to \$4,000 per connection in an effort to stimulate development.

Water & Sewer Fund spending was \$65,000 above budgeted levels, and \$320,000 above the same quarter for last year.

- Personnel costs are \$150,000 below budget estimates and \$50,000 less than those incurred last year over the same period. A reduction in staffing levels has caused this decline.
- Operating costs were \$135,000 above budget and \$200,000 above the same quarter for last year. The increase in costs can be attributed to extensive maintenance and repair at the water treatment plant.
- Capital costs have exceeded the budget by \$75,000 and also exceeded last year's spending for the same period by \$170,000. Major repairs to water treatment plant and equipment has caused this overage.

Marina Fund

The Marina Fund earned a \$160,000 operating profit through the end of the quarter. The earnings exceeded budget expectations as the fund was projected to earn only \$50,000 and had an operating profit of \$170,000 last year for the same period.

Revenues exceeded budget expectations by \$20,000 through the end of the quarter. Revenues were \$2,500 less than last year for the same period.

- Fuel sales exceeded both budget estimates, by \$15,000, and last year, by \$7,000.
- Slip and ramp fees exceeded budget estimates by \$3,000 but declined by \$10,000 when compared to last year

Spending, meanwhile, was less than budgeted by over \$85,000, and exceeded last year's levels by \$7,000.

- Fuel purchases were less than budget expectations by \$25,000
- Facility operating costs were \$40,000 less than the budget through the end of the quarter and \$5,000 less than last year.
- Personnel costs were \$20,000 less than budget and \$3,500 less than last year for the same period.

Other Funds

The City transferred over \$50,000 into the reserve during the first quarter and the fund is at its \$1.29 million legislative target.

The RAD loan program earned \$10,000 in interest and collected \$54,000 in loan payments through the end of the quarter. As a result it has \$385,000 available for additional lending.

The Promenade Fund has \$125,000 available to maintain the Promenade. Of this amount Permit fees have generated \$3,000 for the year. The majority of this fund will be used to rehabilitate the promenade with the hopes of completing the effort by mid-Spring.

Critical Area Tax receipts were under \$45,000 through the end of the quarter and \$85,000 has been used for approved efforts, making almost \$300,000 available for future qualified Chesapeake Bay restoration projects.

Slip User Fees were almost \$55,000 for the year and almost \$220,000 has been used for public safety projects, leaving \$175,000 available for future waterfront improvement projects.

The Community Center Fund earned over \$40,000 for the year, and a balance of almost \$70,000 is available for operations and future repairs. The City has contracted to replace the roof on the Center and anticipates using the remaining balance in this fund to do so.

The Abandoned Property Restricted Fund collected over \$10,000 in awards and has spent almost \$90,000 for Police special projects through the end of the quarter and almost \$70,000 is available for future Police projects.

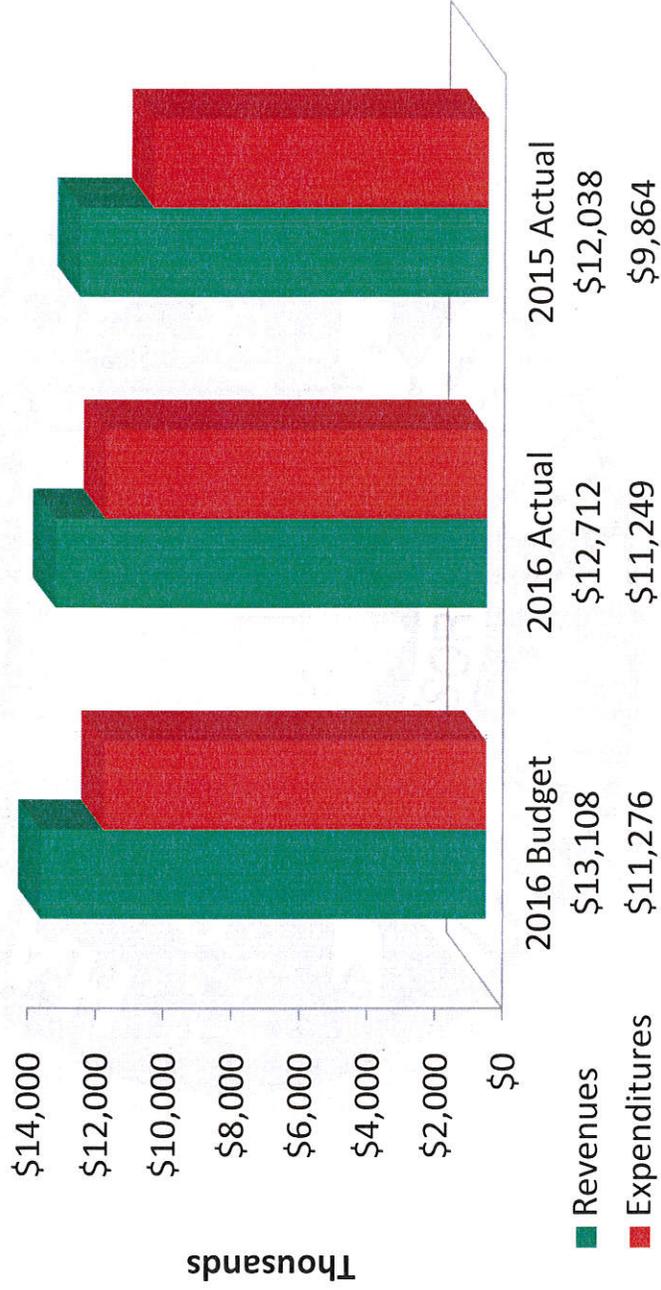
The Forest Conservation Fund has had no activity during the quarter and a little over \$700 resides in the Fund for "green" projects.



Fiscal 2016 Financial Results

Through March 31, 2016

General Fund 1 Financial Results



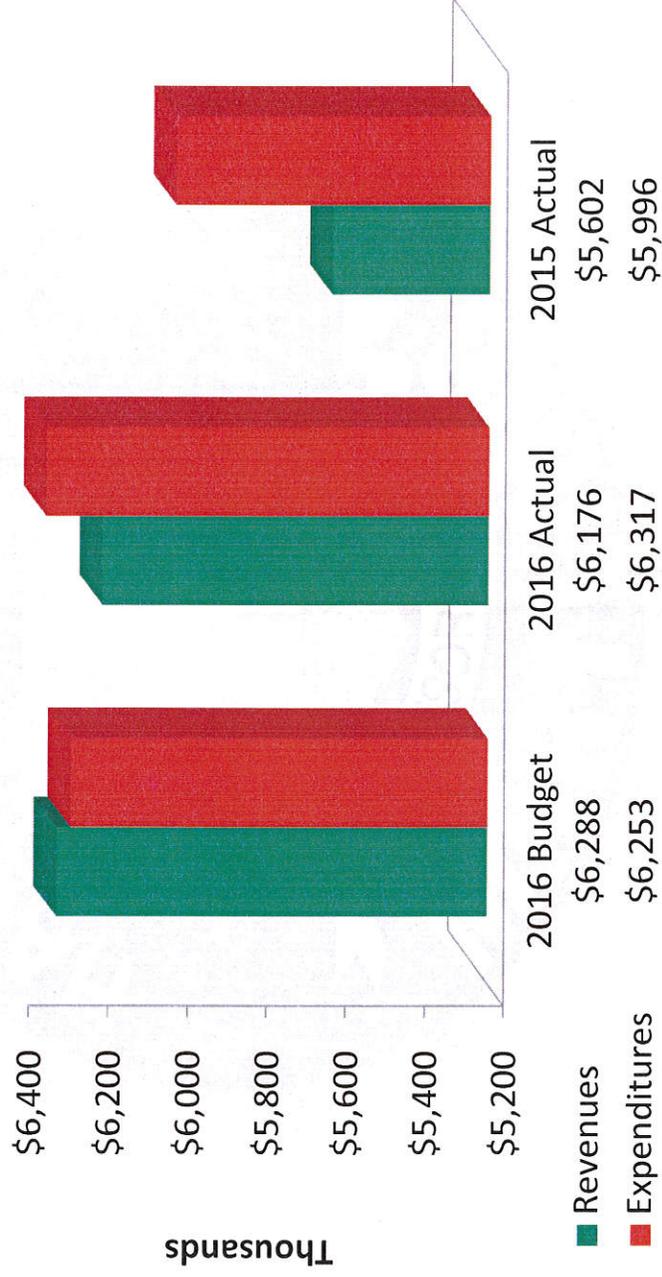
General Fund 1 Revenues



General Fund 1 Expenditures



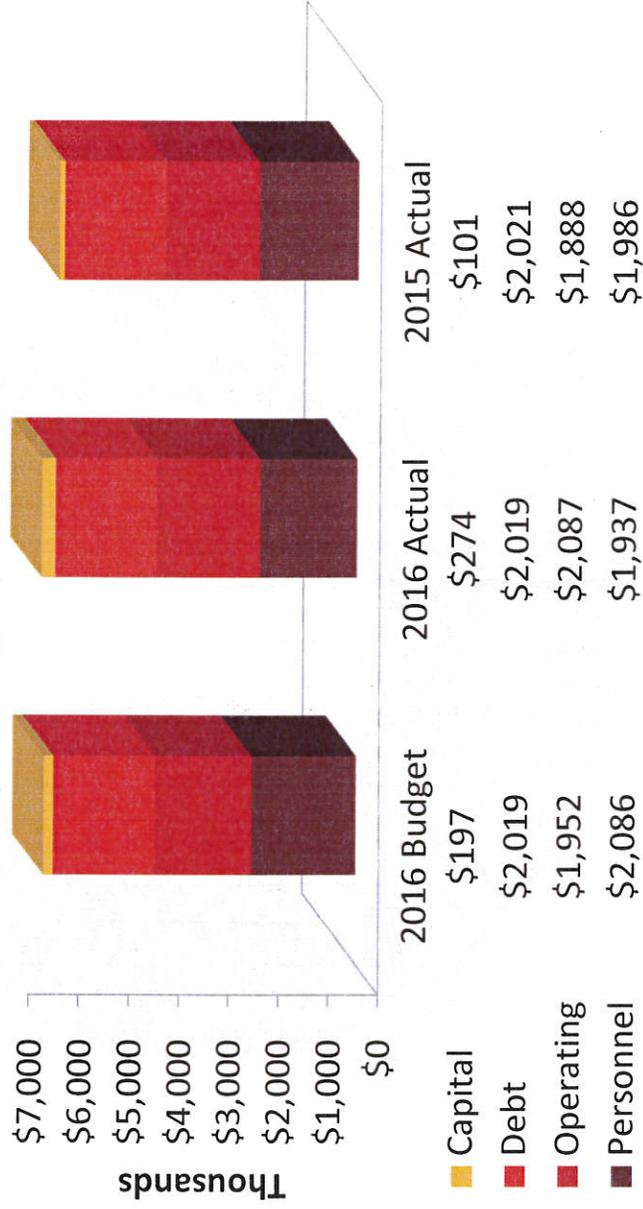
W&S Fund 9 Financial Results



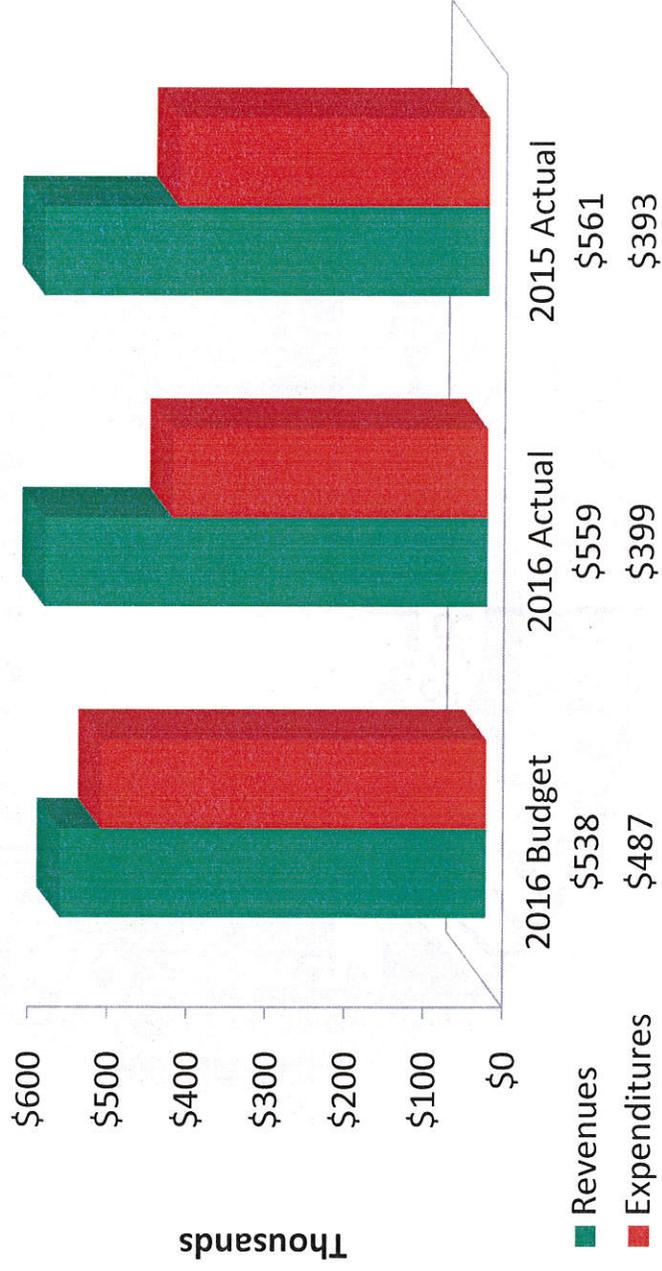
W&S Fund 9 Revenues



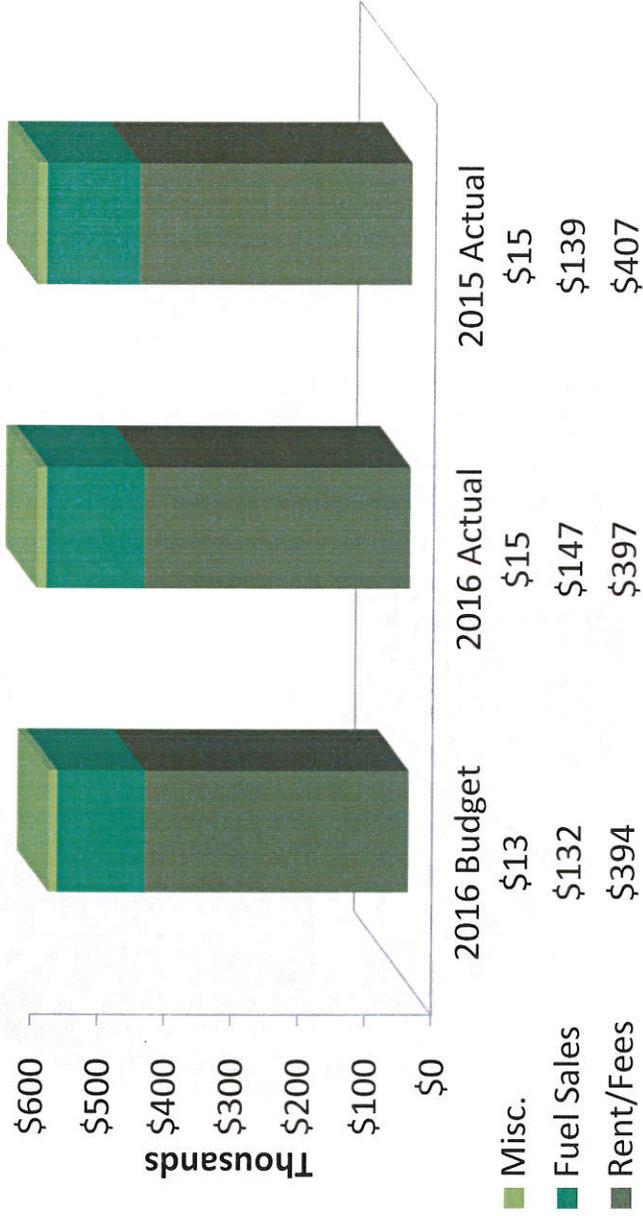
W&S Fund 9 Expenditures



Marina Fund 8 Financial Results



Marina Fund 8 Revenues



Marina Fund 8 Expenditures

